TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 00146)

TAI PING

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2005

The Directors of Tai Ping Carpets International Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2005, together with the comparative figures for 2004, as follows:

RESULTS FOR THE YEAR ENDED 31ST DECEMBER

	Note	**2005** *HK$'000*	As restated 2004 *HK$'000*
Turnover	*5*	**755,629**	567,771
Cost of sales		**(451,094)**	(351,009)
Gross profit		**304,535**	216,762
Other revenues		**1,182**	1,118
Gain on liquidation of an available-for-sale financial asset		**21,084**	–
Gain on disposal of a joint venture		**7,692**	–
Surplus on revaluation of investment properties		**15,648**	595
Impairment of inventories		**(6,423)**	(4,391)
Impairment of construction in progress		**(4,470)**	(786)
Distribution costs		**(150,500)**	(94,738)
Administrative expenses		**(164,954)**	(136,310)
Other operating income		**1,794**	8,582
Other operating expenses		**(985)**	(2,155)
Operating profit/(loss)	*5, 6*	**24,603**	(11,323)
Finance costs	*7*	**(3,578)**	(1,203)
Share of (losses)/profits of			
An associate		**(69)**	1,596
Joint ventures		**24,343**	22,449
Profit before taxation		**45,299**	11,519
Taxation	*8*	**(10,845)**	(12,506)
Profit/(loss) for the year	*8*	**34,454**	(987)
Attributable to:			
Equity holders of the Company		**27,646**	(3,903)
Minority interests		**6,808**	2,916
		34,454	(987)
Dividends		**–**	–
Earnings/(loss) per share of profit/(loss) attributable to the equity holders of the Company (expressed in HK cents)			
– Basic	*9*	**13,04**	(1.84)
– Diluted	*9*	**13.04**	(1.84)

CONSOLIDATED BALANCE SHEET

	Note	2005 *HK$'000*	As restated 2004 *HK$'000*
ASSETS			
Non-current assets			
Intangible assets		**–**	(2,652)
Leasehold land and land use rights		**21,739**	9,763
Property, plant and equipment		**303,440**	271,005
Investment properties		**73,130**	77,212
Construction in progress		**12,282**	18,424
Interest in an associate		**21,166**	21,345
Interest in joint ventures		**133,318**	113,462
Available-for-sale financial assets		**134**	–
Other investments		**–**	27,530
Net investment in finance leases		**210**	236
Deferred tax assets		**1,983**	243
		567,402	536,568
Current assets			
Inventories		**173,847**	153,740
Trade and other receivables	*10*	**161,658**	119,897
Current portion of net investment in finance leases		**735**	1,200
Investment securities		**–**	2,507
Other investment		**–**	686
Cash and cash equivalents		**87,079**	76,965
		423,319	354,995
TOTAL ASSETS		**990,721**	891,563
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**21,193**	21,170
Reserves		**301,871**	326,247
Retained earnings		**360,543**	318,353
		683,607	665,770
Minority interests		**27,864**	20,794
Total equity		**711,471**	686,564
LIABILITIES			
Non-current liabilities			
Bank borrowings - unsecured		**9,500**	–
Deferred tax liabilities		**5,632**	7,466
Other long-term liabilities		**1,991**	2,381
		17,123	9,847
Current liabilities			
Bank borrowings - unsecured		**99,836**	72,628
Trade and other payables	*11*	**153,016**	117,140
Other long-term liabilities - current portion		**390**	390
Taxation		**8,885**	4,994
		262,127	195,152
Total liabilities		**279,250**	204,999
TOTAL EQUITY AND LIABILITIES		**990,721**	891,563
Net current assets		**161,192**	159,843
Total assets less current liabilities		**728,594**	696,411

Notes :

1. **Review of annual results**
The annual results have been reviewed by the Audit Committee.

2. **Basis of preparation**
The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated accounts have been prepared under the historical cost convention except for (i) certain properties which are stated at revalued amounts less subsequent accumulated depreciation and accumulated impairment losses; and (ii) available-for-sale financial assets and investment properties, which are carried at fair value.

The Group has changed certain of its accounting policies following its adoption of new/revised HKFRS which are effective for accounting periods commencing on or after 1st January, 2005. The changes to the Group's accounting policies and the effect of adopting these new policies are set out in Note 3 below.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Group's accounting policies.

3. **The adoption of new/revised HKFRS**
In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases Incentives
HKAS-Int 21	Income Taxes - Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31, 33, 38 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest, share of net after tax results of associates and joint ventures and other disclosure.

– HKASs 2, 7, 8, 10, 16, 23, 27, 28, 31, 33, 38 and HKAS-Int 15 had no material effect on the Group's policies.

– HKAS 21 requires the net exchange difference arising from the translation of the results and financial position of foreign operations to be disclosed as a separate component of equity. Previously such exchange differences were disclosed as movements in retained earnings. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for the respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land was accounted for at fair value or cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosures of financial instruments. Following the adoption of HKAS 32 and HKAS 39, the Group's investments in securities are classified into available-for-sale financial assets, financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the investments were acquired. Available-for-sale financial assets are measured at fair value and changes in fair value are recognized in the available-for-sale revaluation reserves. Financial assets at fair value through profit or loss are measured at fair value and changes in fair value are recognized in the profit and loss account. Loans and receivables are measured at amortized cost and the carrying amount of the asset is computed by discounting the future cash flows to the present value using the effective interest method.

In addition, HKAS 39 requires financial liabilities, except for those carried at fair value through profit or loss, to be carried at amortized cost using the effective interest method.

HKAS 39 does not require the recognition, derecognition and measurement of financial assets and liabilities in accordance with this accounting standard on a retrospective basis.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy whereby the changes in fair values of investment properties are recorded in the profit and loss account. In prior years, the increases in fair value were credited to the investment properties revaluation reserves. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the profit and loss account. Such net deficit charged to respective company's operating profit was not set off against any increase in valuation of other companies' investment properties which have been credited to the investment properties revaluation reserve.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale. In the absence of any specific transitional provision in this Interpretation, this change in accounting policy has been applied retrospectively and comparative figures for 2004 have been restated.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31st December 2004, the provision of share options to employees did not result in an expense in the profit and loss account. Effective on 1st January 2005, the Group expenses the cost of share options in the profit and loss account. However, since all share options granted under the old share options scheme (which was approved in 1997) had either been exercised or lapsed in 2004, and the first batch of share options under the existing share options scheme (approved in 2002) were granted in 2005, the adoption of HKFRS 2 does not result in any prior year adjustments in the Group's accounts.

The adoption of HKFRS 3 and HKAS 36 results in a change in the accounting policy for goodwill. Until 31st December 2004, goodwill was:

– amortized on a straight-line basis over a period ranging from 3 to 15 years; and

– assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– the Group ceased amortization of goodwill from 1st January 2005;

– accumulated amortization as at 31st December 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and

– from the year ended 31st December 2005 onwards, goodwill is tested annually for impairment, as well as when there is an indication of impairment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted for at fair value prospectively only to future transactions;

– HKAS 21 – requiries prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 39 – which does not permit the recognition, derecognition and measurement of financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 were determined and recognized on 1st January 2005;

– HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information. Any adjustment should be made to the retained earnings as at 1st January 2005, including the reclassification of any amount held in revaluation surplus for investment properties;

– HKAS-Int 15 – does not require the recognition of incentives for leases beginning before 1st January 2005;

– HKFRS 2 – requires only retrospective application for all equity instruments granted after 7th November 2002 and not vested on 1st January 2005; and

– HKFRS 3 – applies prospectively after 1st January 2005.

The adoption of HKAS 17 resulted in:

	As at 31st December	
	2005	2004
	HK$'000	HK$'000
Increase in leasehold land and land use rights	**21,739**	9,763
Decrease in property, plant and equipment	**(21,739)**	(9,763)

The adoption of HKAS 32 and 39 resulted in a reclassification of other investments and investment securities to available-for-sale financial assets and financial assets held for trading at 1st January 2005. It also resulted in an increase in available-for-sale revaluation reserves by HK$ 6,505,000.

The adoption of HKAS 40 resulted in an increase in retained earnings and decrease in investment properties revaluation reserves at 1st January 2005 by HK$ 13,019,000 (excluding the effect of the adoption of HKAS-Int 21 as set out below) and the details of the adjustments are as follows:

	As at 31st December 2005 *HK$'000*
Decrease in investment properties revaluation reserves	(11,347)
Increase in retained earnings	11,347

	For the year ended 31st December 2005 *HK$'000*
Increase in other operating income*	4,470
Increase in profit attributable to minority interests	(311)
Increase in basic and diluted earnings per share (HK cents)	1.96

* *The amount represents gains arising from fair value changes of investment properties net of those disposed during the year.*

The adoption of HKAS-Int 21 resulted in:

	As at 31st December	
	2005	2004
	HK$'000	*HK$'000*
Increase in deferred tax liabilities	**1,308**	1,729
Decrease in investment properties revaluation reserves	**(816)**	(1,041)
Decrease in minority interests	**(190)**	(136)
Decrease in retained earnings	**(302)**	(552)

	For the year ended 31st December	
	2005	2004
	HK$'000	*HK$'000*
Decrease in profit/increase in loss attributable to minority interests	**54**	7
Decrease/(increase) in tax charges	**421**	(59)
Increase in basic and diluted earnings/(loss) per share (HK cents)	**0.22**	(0.03)

The adoption of HKFRS 2 resulted in:

	As at 31st December 2005
	HK$'000
Decrease in retained earnings	(176)
Increase in capital reserves	176

	For the year ended 31st December 2005
	HK$'000
Increase in administrative expenses	(176)
Decrease in basic and diluted earnings per share (HK cents)	(0.08)

The adoption of HKFRS 3 resulted in an increase in retained earnings and a decrease in negative goodwill at 1st January 2005 by HK$ 2,652,000 and the details of the adjustments are as follows:

	As at 31st December	
	2005	2004
	HK$'000	*HK$'000*
Decrease in negative goodwill	**(1,768)**	–
Increase in retained earnings	**1,768**	–

	For the year ended 31st December	
	2005	2004
	HK$'000	*HK$'000*
Decrease in other operating income	**(884)**	–
Decrease in basic and diluted earnings per share (HK cents)	**(0.42)**	–

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st January 2006 or later periods but which the Group has not adopted early, as follows:

HKAS 1 (Amendment), "Capital Disclosures"

HKAS 19 (Amendment), "Employee Benefits"

HKAS 39 (Amendment), "Cash Flow Hedge Accounting of Forecast Intragroup Transactions"

HKAS 39 (Amendment), "The Fair Value Option"

HKAS 39 and HKFRS 4 (Amendment), "Financial Guarantee Contracts"

HKFRS 1 (Amendment), "First-time Adoption of Hong Kong Financial Reporting Standards"

HKFRS 6 (Amendment), "Exploration for and Evaluation of Mineral Resources"

HKFRS 7, "Financial Instruments: Disclosures"

HKFRS-Int 4, "Determining whether an Arrangement contains a Lease"

Management is currently assessing the impact of these new standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

4. Comparatives

The Group previously disclosed net income from installation and from sales of underlay within 'other revenues'. Management believes that their inclusion in terms of gross amounts in 'turnover' and 'cost of sales' is a better representation of the Group's activities.

The Group previously disclosed the results of the supporting functions of carpet operations in Hong Kong within 'unallocated items' in the analysis of the Group's results by business segments. Management believes that their inclusion in the 'Carpet' segment is a better representation of the Group's activities.

The Group previously disclosed the turnover and results of the wool spinning operation of Foshan Nanhai Tai Ping Carpets Company Limited ("NHTP") within the 'Yarn' operation in the analysis of the Group's results by business segments. As most of the products of this wool spinning operation are used internally as raw materials of carpet production, management believes that their inclusion in the 'Carpet' segment is a better representation of the Group's activities.

The Group previously treated the whole amount of consideration payable to the vendor in relation to the acquisition of White Oak Carpet Mills, Inc. as other payables under current liabilities. The Group has now reclassified the portion which is not due in the next 12 months to non-current liabilities.

5. Turnover and segmental information

(a) Principal activities

The principal activities of the Group consist of manufacture, import, export and sale of carpets, manufacture and sale of yarn, trading and leasing of interior furnishings and property holding.

An analysis of the Group's turnover and results for the year by business segments is as follows:

For the year ended 31st December 2005

	Carpet	Yarn	Interior furnishings	Property holding	Elimination	Unallocated	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover							
– External revenues	627,340	57,635	65,042	5,612	–	–	755,629
– Inter-segment revenues*	2,244	10	–	1,239	(3,493)	–	–
	629,584	57,645	65,042	6,851	(3,493)	–	755,629
Segment results	(29,878)	8,685	(1,961)	22,298	–	25,459	24,603
Finance costs							(3,578)
Share of (losses)/profits of							
– An associate	(69)	–	–	–	–	–	(69)
– Joint ventures	24,343	–	–	–	–	–	24,343
Profit before taxation							45,299
Taxation							(10,845)
Profit for the year							34,454
Segment assets	658,535	54,166	41,554	77,750	–	4,232	836,237
Interest in an associate	21,166	–	–	–	–	–	21,166
Interest in joint ventures	133,318	–	–	–	–	–	133,318
Total assets							990,721
Segment liabilities	139,251	2,392	8,436	1,019	–	128,152	279,250
Capital expenditure	58,650	360	4,808	–	–	–	63,818
Depreciation	33,255	2,269	4,408	–	–	–	39,932
Amortization of leasehold land and land use rights	408	–	–	–	–	–	408
Impairment of construction in progress	4,470	–	–	–	–	–	4,470
Impairment of inventories	1,153	–	5,270	–	–	–	6,423
Impairment of trade receivables	143	–	116	–	–	–	259
Write off of an available-for-sale financial asset	–	–	114	–	–	–	114

For the year ended 31st December 2004 (as restated)

	Carpet HK$'000	Yarn HK$'000	Interior furnishings HK$'000	Property holding HK$'000	Elimination HK$'000	Unallocated HK$'000	Group HK$'000
Turnover							
– External revenues	459,726	55,904	45,832	6,309	–	–	567,771
– Inter-segment revenues*	1,890	–	13	90	(1,993)	–	–
	461,616	55,904	45,845	6,399	(1,993)	–	567,771
Segment results	(31,481)	7,908	9,414	6,631	–	(3,795)	(11,323)
Finance costs							(1,203)
Share of profits of							
– An associate	1,596	–	–	–	–	–	1,596
– Joint ventures	22,449	–	–	–	–	–	22,449
Profit before taxation							11,519
Taxation							(12,506)
Loss for the year							(987)
Segment assets	560,632	63,328	43,375	81,613	–	7,808	756,756
Interest in an associate	21,345	–	–	–	–	–	21,345
Interest in joint ventures	113,462	–	–	–	–	–	113,462
Total assets							891,563
Segment liabilities	104,322	2,253	7,683	802	–	89,939	204,999
Capital expenditure	27,956	1,948	6,818	–	–	–	36,722
Depreciation	29,691	2,392	2,192	–	–	–	34,275
Amortization of leasehold land and land use rights	236	–	–	–	–	–	236
(Negative goodwill recognized as income)/amortization of goodwill	(296)	–	–	–	–	1,659	1,363
Impairment of construction in progress	786	–	–	–	–	–	786
Impairment of inventories	4,391	–	–	–	–	–	4,391
Impairment of property, plant and equipment	175	–	–	–	–	–	175

Note: Inter-segment transactions are entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

(b) Principal markets

An analysis of the Group's turnover and contribution to operating profit/(loss) for the year by geographical segments is as follows:

	Turnover 2005 *HK$'000*	(As restated) Turnover 2004 *HK$'000*	**Segment results 2005** *HK$'000*	(As restated) Segment results 2004 *HK$'000*
Hong Kong & Macau	**93,460**	89,688	**12,313**	(1,640)
Mainland China	**35,464**	11,151	**652**	(1,786)
South East Asia	**221,675**	209,338	**11,462**	20,736
Middle East	**26,920**	18,953	**(811)**	436
Other Asian countries	**21,434**	20,411	**1,045**	4,186
Europe	**66,569**	43,522	**(8,236)**	(12,276)
North America	**278,254**	166,364	**(18,351)**	(17,704)
Others	**11,853**	8,344	**1,070**	520
	755,629	567,771	**(856)**	(7,528)
Unallocated			**25,459**	(3,795)
Operating profit/(loss)			**24,603**	(11,323)

6. Operating profit/(loss)

Operating profit/(loss) is stated after crediting and charging the following:

	2005 *HK$'000*	2004 *HK$'000*
Crediting:–		
Gains on disposal of investment securities	**–**	37
Negative goodwill recognized as income	**–**	317
Reversal of impairment of investment in joint ventures	**–**	4,803
Gain on disposal of investment properties	**–**	313
Net exchange gains	**1,073**	–
Charging:–		
Depreciation of property, plant and equipment	**39,932**	34,275
Amortization of leasehold land and land use rights	**408**	236
Loss on disposal of property, plant and equipment	**92**	369
Loss on disposal of investment properties	**470**	–
Employee benefit expenses	**226,188**	175,689
Operating lease charges		
Land and buildings	**17,287**	13,054
Plant and machinery	**661**	40
Auditors' remuneration	**2,326**	1,537
Direct operating expenses arising from investment properties that generated rental income	**604**	445
Direct operating expenses arising from investment properties that did not generate rental income	**17**	15
Amortization of goodwill	**–**	1,680
Research and development costs	**2,270**	1,995
Net exchange losses	**–**	913

7. Finance costs

	2005 *HK$'000*	2004 *HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**3,578**	1,203

8. Taxation

No provision for Hong Kong profits tax has been made in the accounts for both years as the companies within the Group either have no assessable profits in Hong Kong or have available tax losses brought forward to set off against their assessable profits. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the respective countries.

The amount of taxation charged/ (credited) to the consolidated profit and loss account represents:

	2005 HK$'000	As restated 2004 HK$'000
Current income tax		
– Overseas taxation charges for the current year	**13,984**	14,056
– Under/(over) provision in prior years	**335**	(2,908)
Deferred income tax	**(3,474)**	1,358
Taxation charges	**10,845**	12,506

Share of taxation of an associate and joint ventures of HK$ 568,000 (2004: HK$ 1,081,000) and HK$ 8,352,000 (2004: HK$ 4,301,000) respectively are included in the share of (losses)/profits of an associate and joint ventures.

9. Earnings/(loss) per share

Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of shares in issue during the year.

	2005 HK$'000	As restated 2004 HK$'000
Profit/(loss) attributable to equity holders of the Company	**27,646**	(3,903)
Weighted average number of ordinary shares in issue (thousands)	**211,933**	211,703
Basic earnings/(loss) per share (HK cents per share)	**13.04**	(1.84)

Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares, namely share options. For these share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of below calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2005 HK$'000	As restated 2004 HK$'000
Profit/(loss) attributable to equity holders of the Company	**27,646**	(3,903)
Weighted average number of ordinary shares in issue (thousands)	**211,933**	211,703
Adjustments for share options (thousands)	**7**	–
Weighted average number of ordinary shares in issue for diluted earnings/(loss) per share (thousands)	**211,940**	211,703
Diluted earnings/(loss) per share (HK cents per share)	**13.04**	(1.84)

10. Trade and other receivables

	2005 HK$'000	2004 HK$'000
Trade receivables	**151,745**	117,261
Less : provision for impairment of receivables	**(15,493)**	(18,668)
Trade receivables – net	**136,252**	98,593
Other receivables	**25,406**	21,304
	161,658	119,897

Note: The amount approximated to the fair value as at 31st December 2005. The credit terms of the Group range from 0 to 90 days, depending on the credit status and repayment history of customers. At 31st December 2005 the ageing analysis of the trade receivables was as follows:

	2005	2004
	HK$'000	*HK$'000*
– Current - 30 days	**86,020**	63,023
– 31 days - 60 days	**27,705**	12,814
– 61 days - 90 days	**8,037**	7,825
– Over 90 days	**29,983**	33,599
	151,745	117,261

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers, internationally dispersed.

11. Trade and other payables

	2005	As restated 2004
	HK$'000	*HK$'000*
Trade payables	**46,482**	29,741
Other payables	**106,534**	87,399
	153,016	117,140

At 31st December 2005, the ageing analysis of the trade payables was as follows:

	2005	2004
	HK$'000	*HK$'000*
– Current - 30 days	**29,374**	19,911
– 31 days - 60 days	**11,094**	6,211
– 61 days - 90 days	**3,214**	1,420
– Over 90 days	**2,800**	2,199
	46,482	29,741

Dividend

The Director have not declared an interim dividend and do not recommend the payment of a final dividend for the year. (2004: Nil).

Purchase, Sale or Redemption of the Company's Shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Corporate Governance

The Board and the Management are committed to promote good corporate governance to safeguard the interests of the shareholders. The Company codified its corporate governance practices by reference to the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Except for the deviations discussed below, the Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31st December 2005.

Code Provision A.2.1

The Code stipulates that the division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

The Chairman of the Board is Mr. Nicholas T. J. Colfer and the Chief Executive Officer is Mr. James H. Kaplan. To comply with code provision A.2.1 of the Code, the division of responsibilities between the Chairman and the Chief Executive Officer was formally set out in writing at the Board meeting on 23rd September 2005. Essentially, the Chairman takes the lead to oversee the Board functions while the Chief Executive Officer, supported by his management team, is responsible for the day-to-day management of the business of the Company.

Code Provision A.4.1
The Company's Non-executive Directors are not appointed for specific terms as required by code provision A.4.1 of the Code. However, at the Company's Annual General Meeting on 10th June 2005, in order to be more consistent with code provision A.4.1, the relevant Bye-law of the Company was amended to ensure that every director other than any Executive Chairman or Managing Director retire by rotation at least once every three years. The Executive Chairman or Managing Director cannot be required to retire by rotation in the Bye-laws as pursuant to section 2(e) of the Tai Ping Carpets International Limited Company Act 1990 of Bermuda. Notwithstanding this, the Directors intend to comply with code provision A.4.1 by asking any Executive Chairman or Managing Director to voluntarily retire by rotation at least once every three years.

Code Provision B.1.1 and B.1.3
The terms of reference of the Company's Remuneration Committee were not formally set out as those contained in code provision B.1.3 of the Code and the majority of its members were not Independent Non-executive Directors as required in code provision B.1.1 of the Code. To comply with these code provisions, at the Board meeting on 23rd September 2005, written terms of reference for the Remuneration Committee in line with the Code were adopted and its composition was changed on 15th November 2005 upon the appointment of Mr. Roderic N.A. Sage as an Independent Non-executive Director so that the majority of its members are Independent Non-executive Directors.

Code Provision C.3.3
The terms of reference of the Company's Audit Committee were not in accordance with those set out in code provision C.3.3 of the Code. In order to comply with this code provision, at the Board meeting on 23rd September 2005 the Company adopted the terms of reference of Audit Committee as set out in the Code.

Audit Committee
The responsibilities of the Audit Committee under its terms of reference include overseeing the relationship with the Company's external auditor (including making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and approving the audit fee and reviewing the audit scope), review of financial information of the Group, oversight of the Group's financial reporting system and internal controls.

The Audit Committee comprises two Independent Non-executive Directors (Mr. Roderic N.A. Sage and Mr. Michael T.H. Lee) and one Non-executive Director (Mr. John J. Ying). During the year under review, the Audit Committee held 3 meetings with the management and the external auditors for reviewing the interim and annual reports before submission to the Board for consideration and approval, reviewing the external auditor's annual audit plan and scope, and discussing issues arising from the audits including internal controls and financial reporting.

Closing of Register
The Register of Members of the Company will be closed from Wednesday, 14th June 2006 to Friday, 16th June 2006, both days inclusive, during which period no transfer of shares will be registered.

Business Review and Prospects
The Group's consolidated turnover for the year ended 31st December 2005 totalled HK$ 755.6 million, a 33% increase from HK$ 567.8 million in 2004. The gross margin also grew, to 40% in 2005 from 38% in 2004. These significant improvements resulted directly from the Group's strategic transformation to a global, customer-focused carpet company.

The Group recorded a profit attributable to equity holders of HK$ 27.6 million in 2005, compared with a HK$ 3.9 million loss in 2004.

This substantial gain resulted principally from the disposal of non-core assets and investments and certain reporting changes required by the adoption of the Hong Kong Financial Reporting Standards, accounting for a net increase in profit of HK$ 43.4 million before tax.

Excluding the items mentioned above, the underlying operating loss of the Group in 2005 amounted to HK$ 18.8 million, compared with HK$ 11.3 million loss in 2004. This figure, however, included significant non-recurring net expenses associated with the Edward Fields acquisition, and inventory provisions by interior furnishings, as well as marketing costs incurred to stimulate sales.

Carpet Operations
In addition to organic growth in the commercial business, the Group spurred the expansion of its U.S. residential business by opening a flagship Tai Ping showroom in New York and by acquiring the business assets of Edward Fields, Inc. ("Edward Fields"), a highly regarded brand name with an established national sales network.

Total turnover as a result increased 36%, from HK$ 459.7 million in 2004 to HK$ 627.3 million in 2005. HK$ 303.2 million, or 48%, arose from turnover in Asia and HK$ 324.1 million or 52%, from turnover in the rest of the world, compared with HK$ 279.2 million (61%) and HK$ 180.5 million (39%) respectively in 2004.

Gross margin also rose from 37% to 40%, an improvement attributable both to rising sales of higher-margin carpets and to improved factory utilisation and efficiencies in production.

Despite the increased turnover and improved gross margin, one-time initial losses sustained by post-acquisition costs associated with incorporating the Edward Fields'operations adversely affected operating results. The Group incurred a segmental loss of HK$ 29.9 million for the carpet operations before tax, finance, and unallocated costs, a slight improvement over the 2004 deficit of HK$ 31.5 million.

Marketing & Branding

To support its strategic transformation into a global customer-focused carpet company, the Group implemented a number of marketing initiatives in 2005.

The opening of the flagship Tai Ping showroom in New York, which generated extensive media coverage in targeted journals, together with the new 'tent' logo, the creation of a complete set of sales tools (including catalogues and pom box) and a revamped website, helped to increase the market awareness and position Tai Ping as a luxury brand. The construction and repeated use of well-designed, environmentally sustainable trade show environments that reflect the new brand identity further distinguished Tai Ping from the competition.

The acquisition of Edward Fields, a highly respected luxury brand, bolstered the Group's brand equity in the luxury residential sector, and refinement of the overall brand strategy is under way to ensure complementary positioning of the two distinct brands.

Carpets International Thailand Public Company ("CIT"), the Thai subsidiary, adopted a new brand and logo, 'Carpets Inter', in keeping with a broader marketing strategy to generate wider appeal for its commercial products.

The 'Shanhua' commercial products manufactured by the Weihai joint ventures will be repackaged with the Tai Ping Contract brand.

Plans for 2006 outline additional development and refinement of many of these initiatives, as well as the implementation of new proposals focused on continued growth in specific business segments.

USA

The USA continues to be the primary growth market. Investments made in 2004 for long-term expansion, including the addition of experienced sales representatives and field designers and the provision of effective sales and marketing tools, have already yielded measurable results. Despite fierce competition in certain sectors of the commercial market, turnover in the commercial business almost doubled in 2005, with particular focus maintained on the hospitality sector.

The gross margins and operating results of the commercial carpet business showed significant improvement in 2005. Because the Group effectively leveraged initial outlays made in prior years, it incurred much lower incremental costs and expenses.

Due to much higher margins and the Group's competitive strengths, the residential sector remains another principal target for growth. Bold initiatives to expand residential market share included the opening of a new concept 12,000 sq. ft. showroom in New York, which proved highly successful in raising the profile of the Group and generating significant awareness of the new brand identity.

In March 2005 a wholly-owned subsidiary of the Company entered into an Asset Purchase Agreement with Edward Fields and its shareholders to acquire, for US$2 million in cash, certain assets that included, the "Edward Fields" name and its intellectual properties, the rights under existing leases to all showrooms and leasehold improvements, existing inventories, an experienced sales force, and their lists of customers and designers. The acquisition of Edward Field's business assets provides immediate access to the high-end residential market in the US through the company's nationwide sales network and customer base.

Turnover of the residential business approached HK$ 60 million in 2005. Operating costs and expenses were proportionately higher, however, due to the business launch and additional post-acquisition costs associated with the incorporation of the Edward Fields operations.

The overall operating loss of the US operations in 2005 was larger than that of 2004, therefore, despite significantly higher turnover and better gross margin percentages in both the commercial and residential businesses. Improved operating results are expected for 2006, however, due to the effect of a full year of sales for the residential business and continued strong growth in business overall.

Europe
Total turnover generated by the European subsidiaries amounted to HK$ 65.3 million, a 71% increase over 2004.

Tai Ping Carpets Europe SAS ("TPCE"), based in Paris, increased turnover by 69% to HK$ 34.7 million in 2005. While the residential business showed signs of recovery in 2005, competition remained intense due to an influx of cheaper products from Eastern Europe and North Africa. TPCE stayed focused on niche markets and the high-end interior design community for its residential business, while targeting medium-scale lower-margin commercial projects. Despite a significant increase in sales in 2005, the consequential improvement in TPCE's operating results was smaller due to lower gross margin percentages and increased operating expenses. The continued growth of the commercial business, however, is expected to help reduce overheads proportionately and further improve TPCE's overall profitability in the coming years.

Tai Ping Carpets Interieur GmbH ("TPCI") enhanced turnover by 59%, to HK$ 26.2 million, due to increased commercial sales in Germany. The operating results also improved because of this turnover growth and a relatively stable percentage in gross margin.

Targeting the commercial sector in the UK, Middle East and Europe, the Group recruited an experienced, UK-based sales and design team in early 2005. While turnover was only HK$ 4.4 million during the past year, it is expected to grow substantially during 2006. Operating expenses, consisting principally of sales costs, remain low and are scalable to match business growth.

Hong Kong, Macau and China
In the Hong Kong, Macau and China region, turnover rose to HK$ 63.6 million, a 20% improvement over 2004. Tourism in Hong Kong and Macau's booming casino and resort markets buoyed the commercial sectors, which are Tai Ping's primary segments in this region. The Group maintained a relatively stable gross margin percentage in 2005 despite the competitive market.

The Group also exercised tight control of incremental selling expenses, while cost management at the Nanhai factory in the PRC benefited from improved utilisation and factory efficiencies. Operating results consequently showed a marked improvement in 2005.

For comparative purposes, the 2004 figures have been restated, with minor effect, to include turnover of the Nanhai factory's wool spinning operation under carpet operations instead of yarn operations, since all external wool sales ceased in the first half of 2005 as production focused solely on internal demand.

Thailand and South East Asia
Thailand's healthy overall economy benefited CIT which is the dominant player in that domestic market. Sales in 2005 increased in this region by 6% to HK$ 218.2 million, due to the commercial sector's overall growth both in Thailand and throughout South East Asia.

The gross margin percentages remained relatively flat in 2005 as increases in raw material prices and energy costs offset improved factory utilisation, so any ensuing gain in operating results was on par with turnover growth in 2005.

CIT also developed an environmentally friendly felt-backed modular carpet tile to increase sales in markets, such as Hong Kong, which are proposing a ban on imported PVC-backed modular carpet tiles that are not biodegradable.

Joint Ventures and Associate
The Weihai joint venture group consists, collectively, of Weihai Shanhua Huabao Carpet Co. Ltd. and Weihai Shanhua Premier Carpet Co. Ltd. (both 49% owned), and Weihai Shanhua Floorcovering Products Co. Ltd. (42% owned). The Weihai group turnover rose in 2005 to HK$ 534.1 million, a 25% increase over the 2004 total of HK$ 427.8 million, due to continued aggressive sales and marketing of Weihai products within China. With the Group's assistance in both marketing and distribution, these companies also sell Weihai 'Shanhua' products globally outside the PRC, a complementary arrangement that expands the Group's range of existing products and price points. The Group's share of the joint ventures' profit after tax of 2005 amounted to HK$ 24.3 million, an 8% increase over the 2004 results (HK$ 22.4 million).

Despite stable sales, Philippines Carpet Manufacturing Corporation ("PCMC"), the 33% owned associate, recorded a small loss in 2005, compared with a share of net profit after tax of HK$ 1.6 million in 2004. Certain manufacturing difficulties, which were resolved in 2005, adversely affected the cost of sales and led to a substantial decline in gross margin.

Other Operations

Yarn Dyeing

Premier Yarn Dyers, Inc. ("PYD"), which operates the Group's U.S.-based yarn-dyeing facilities, posted relatively stable turnover and segmental results for 2005, at HK$ 57.6 million (2004: HK$ 55.9 million) and HK$ 8.7 million (2004: HK$ 7.9 million), respectively.

Dyeing operations at Nanhai in the PRC are mainly for the Group's own use and have been re-classified as part of the carpet operations for segmental reporting purposes.

Interior Furnishings

The increase in segmental turnover for interior furnishings in 2005 was attributable mainly to the consolidation of the results of Suzhou Shuilian Mattress Company Limited ("SSMCL"), reporting for the first time as a Group subsidiary after the December 2004 acquisition of the 52% share of the PRC joint venture partner.

Turnover for Indigo Living Limited ("Indigo") in 2005 reached HK$ 46.2 million, a level similar to 2004 (HK$ 45.8 million). While retail sales continued to decline because of progressively intense competition, an increase in the rental business due to an influx of expatriates to Hong Kong offset the decrease in retail sales. Indigo incurred an operating loss of HK$ 3.0 million in 2005 because of higher rental and payroll expenses, as well as provisions made against certain slow-moving inventories.

The overall segmental results of interior furnishings was a loss of HK$ 2.0 million, compared with a profit of HK$ 9.4 million in 2004, despite consolidation of SSMCL's operating profit in 2005.

Property Holding

The Group disposed of several investment properties in Hong Kong and in the USA for an aggregate sum of HK$ 28.2 million, which produced a net loss on disposal of HK$ 0.5 million. Rental income decreased slightly in 2005 as a result, to HK$ 5.6 million.

Revaluation of investment properties held on 31st December 2005 generated for the Group a net surplus of HK$ 15.6 million, included in the profit and loss account.

Others

The Group sold its 54.5% interest in Changzhou Nantai Construction Materials Company Limited, a joint venture in the PRC, to the other joint venture partner for RMB 8 million in cash. This sale yielded a net profit of HK$ 7.7 million, since the investment had been fully provided for in prior years.

The Group also received in 2005 certain Hong Kong properties as dividends in specie, with a resulting gain of HK$ 21.1 million, from the liquidation of Oceanic Cotton Mill Limited, in which the Group held a 5% interest.

Capital Expenditure

Capital expenditure in the form of property, plant and equipment and construction in progress incurred by the Group totalled HK$ 63.8 million in 2005 (2004: HK$ 33.9 million). As at 31st December 2005, the aggregate net book value of the Group's property, plant and equipment, leasehold and land use rights, and construction in progress amounted to HK$ 337.5 million (2004: HK$ 299.2 million).

Liquidity and Financial Resources

The Group, which usually funds its business with internally generated cash flows and through banking facilities at various subsidiaries, coordinates its financing and cash management activities at the corporate level.

As at 31st December 2005, the Group had total bank borrowings of HK$ 109.3 million (2004: HK$ 72.6 million). Total cash and bank balances amounted to HK$ 87.1 million (2004: HK$ 77.0 million). The gearing ratio, calculated as net bank borrowings (total bank borrowings net of cash and bank balances) divided by total equity, was 3% at 31st December 2005 (2004: nil).

All bank loans to date were unsecured. Of those outstanding on 31st December 2005, 91% carried interest at floating rates; the remainder were at fixed interest rates throughout their terms.

The currency denomination of the loans and their maturity dates as at 31st December 2005 were as follows:

	2005	2004
	HK$'000	*HK$'000*
Within 1 year		
Thai Baht	**55,859**	51,509
United States Dollars	**16,977**	21,119
Hong Kong Dollars	**27,000**	–
	99,836	72,628
Between 1 and 2 years		
Thai Baht	**9,500**	–
	9,500	–
Total borrowings	**109,336**	72,628

Foreign Exchange Risks and Related Hedges
The Group has overseas operations in the PRC, Thailand, Singapore, the U.S.A. and Europe. The Group treats its investments in these foreign operations as permanent equity, so exchange differences from translating the net investments in these foreign operations do not affect cash flows and are dealt with in the reserves.

As the European and Singaporean operations are not significant in term of the Group's results and the Chinese Renminbi has been relatively stable, the exchange differences arising from overseas operations relate mostly to Thailand. The effect of these exchange differences, however, is reduced as borrowings are in local currency.

The Group's export sales are denominated primarily in US dollars, and to a much lesser extent in Euros. The Group, therefore, considered its exposure to exchange rate movements in 2005 insignificant, but continues to monitor exchange rate movements closely to ascertain if any material exposure may arise.

Employee and Remuneration Policies
As at 31st December 2005, the Group employed approximately 3,100 employees (2004: 3,100 employees). Employees are remunerated according to the nature of the job and market trends, with built-in merit components incorporated as annual incentives to reward and motivate individual performance. Staff costs and retirement benefit costs for 2005 totalled HK$ 221.5 million (2004: HK$ 172.4 million) and HK$ 4.5 million (2004: HK$ 3.2 million) respectively.

Contingent Liabilities
As at 31st December 2005, the Group's total contingent liabilities amounted to HK$ 8.5 million (2004: HK$ 7.4 million).

Outlook
2005 was an exciting transitional year for Tai Ping, in which significant progress was made in the transformation of the Company from a high-quality Asian manufacturer into a premium global brand.

To build the brand and sales capability internationally, Tai Ping made substantial investment in developing new support tools, sales and service centres, particularly in the USA. The Company opened a flagship showroom to great acclaim in New York, and the acquisition of Edward Fields Inc. added further sales outlets in major cities in the USA. Inevitably, such investment raised operating costs markedly, but a platform was established for sustainable growth.

Looking forward, the Group expects to maintain sales growth, particularly in the USA, but also in Asia and Europe, where new operations are being established. The Group will also be identifying those strategies that will further improve factory productivity to meet increasing demand.

2006 marks Tai Ping's 50th anniversary: with the continued emphasis on building both the commercial and residential brands worldwide, complemented by the productivity and quality of the Group's international manufacturing capability, the Company is confident in its plans for the future and Tai Ping's position as the world-class premium brand in the industry.

By order of the Board

Nicholas T. J. Colfer	**James H. Kaplan**
Chairman	*Chief Executive Officer*

Hong Kong, 24th April 2006

The names of Directors as at the date hereof are – Chairman: Mr. Nicholas T.J. Colfer, Chief Executive Officer: Mr. James H. Kaplan, Independent Non-executive Directors: Mr. Roderic N.A. Sage, Mr. Michael T. H. Lee, Mrs. Yvette Y. H. Fung, Mr. Lincoln C. K. Yung, Non-executive Directors: Mr. Ian D. Boyce, Mr. John J. Ying, Mr. Lincoln K. K. Leong, Mr. David C. L. Tong, Alternate Director: Mr. Nelson K. F. Leong (Alternate to Mr. Lincoln K. K. Leong).